

IC 5-28-21

Chapter 21. Small Business Incubator Program

IC 5-28-21-1

"Economically disadvantaged area"

Sec. 1. As used in this chapter, "economically disadvantaged area" has the meaning set forth in IC 6-3.1-9-1.

As added by P.L.4-2005, SEC.34.

IC 5-28-21-2

"Fund"

Sec. 2. As used in this chapter, "fund" refers to the small business incubator fund established by section 6 of this chapter.

As added by P.L.4-2005, SEC.34.

IC 5-28-21-3

"Incubator"

Sec. 3. As used in this chapter, "incubator" means a facility in which space may be leased by a tenant and in which management provides access to business development services for use by tenants.

As added by P.L.4-2005, SEC.34.

IC 5-28-21-4

"Sponsor"

Sec. 4. As used in this chapter, "sponsor" means an organization that enters into a written agreement with the corporation to:

- (1) establish, operate, and administer a small business incubator; or
- (2) provide funding to an organization that operates a small business incubator.

As added by P.L.4-2005, SEC.34.

IC 5-28-21-5

"Tenant"

Sec. 5. As used in this chapter, "tenant" means a sole proprietorship, partnership, limited liability company, or corporation operating a business and occupying space in an incubator.

As added by P.L.4-2005, SEC.34.

IC 5-28-21-6

Establishment of fund; purpose; repayments of loans; nonreversion

Sec. 6. (a) The small business incubator fund is established within the state treasury. The fund is a revolving fund. The fund shall be used to provide grants, loans, and loan guarantees under this chapter.

(b) The fund consists of appropriations from the general assembly and loan repayments.

(c) The corporation shall administer the fund. The following may be paid from money in the fund:

- (1) Expenses of administering the fund.

(2) Nonrecurring administrative expenses incurred to carry out the purposes of this chapter.

(d) The treasurer of state shall invest the money in the fund not currently needed to meet the obligations of the fund in the same manner as other public funds may be invested. Interest that accrues from these investments shall be deposited in the state general fund.

(e) Repayments of loans from the fund, including interest, shall be deposited in the fund.

(f) Money in the fund at the end of a state fiscal year does not revert to the state general fund.

As added by P.L.4-2005, SEC.34.

IC 5-28-21-7

Application for grant, loan, or loan guarantee; requirements

Sec. 7. A political subdivision (as defined in IC 36-1-2-13), a nonprofit organization, or a for-profit organization may submit an application to the corporation to obtain a grant, loan, or loan guarantee to establish a small business incubator. The application must:

- (1) describe the facility that is to be converted to an incubator;
- (2) specify the cost of the conversion;
- (3) demonstrate the ability of the applicant to directly provide or arrange for the provision of business development services (including financial consulting assistance, management and marketing assistance, and physical services) for tenants of the incubator;
- (4) demonstrate a potential for sustained use of the incubator by eligible tenants through a market study or other means;
- (5) demonstrate the ability of the applicant to operate the incubator in accordance with section 19 of this chapter;
- (6) state that the applicant will not discriminate against an employee or applicant for employment on the basis of race, religion, color, national origin, sex, or age; and
- (7) include any other information required by the corporation.

As added by P.L.4-2005, SEC.34.

IC 5-28-21-8

Award of grants, loans, and loan guarantees; criteria

Sec. 8. The corporation shall award grants, loans, and loan guarantees based on the following criteria:

- (1) The ability of the applicant to comply with section 19 of this chapter.
- (2) The economic impact of the incubator on the community.
- (3) Conformance with any areawide and local economic development plans.
- (4) The location of the incubator, in order to encourage geographic distribution of incubators throughout Indiana.
- (5) Other criteria established by the corporation.

As added by P.L.4-2005, SEC.34.

IC 5-28-21-9**Use of grants and loans**

Sec. 9. Grants and loans awarded or guaranteed under this chapter may be used only for the following purposes, when necessary for the creation and operation of an incubator:

- (1) The acquisition and leasing of land and existing buildings.
- (2) The construction or rehabilitation of buildings or other facilities.
- (3) The purchase of equipment and furnishings.
- (4) The payment of operating expenses of the incubator during the first twenty-four (24) months of its operation.

As added by P.L.4-2005, SEC.34.

IC 5-28-21-10**Grant amount limits**

Sec. 10. A grant under this chapter may not exceed the lesser of:

- (1) fifty percent (50%) of the total eligible project costs; or
- (2) two hundred fifty thousand dollars (\$250,000).

As added by P.L.4-2005, SEC.34.

IC 5-28-21-11**Grant use limit**

Sec. 11. An applicant for a grant may only use the grant in an economically disadvantaged area.

As added by P.L.4-2005, SEC.34.

IC 5-28-21-12**Loan or loan guarantee amount limits**

Sec. 12. A loan or loan guarantee under this chapter may not exceed the lesser of:

- (1) fifty percent (50%) of the total eligible project costs; or
- (2) five hundred thousand dollars (\$500,000).

As added by P.L.4-2005, SEC.34.

IC 5-28-21-13**Combined grant and loan or loan guarantee amount limits**

Sec. 13. An applicant may apply for both a grant and a loan or loan guarantee, but the combined grant and loan or loan guarantee may not exceed five hundred thousand dollars (\$500,000).

As added by P.L.4-2005, SEC.34.

IC 5-28-21-14**Loan security**

Sec. 14. (a) A loan under this chapter must be secured by liens on collateral at the highest level of priority that can accommodate the borrower's ability to raise sufficient debt and equity capital.

(b) A financial institution holding an obligation that is guaranteed under this chapter must adequately secure the obligation.

As added by P.L.4-2005, SEC.34.

IC 5-28-21-15**Leased facilities; conditions**

Sec. 15. A grant, loan, or loan guarantee for an incubator in a facility that is leased may be made only if the applicant intends to buy the facility. A loan or loan guarantee must be secured by a leasehold mortgage.

As added by P.L.4-2005, SEC.34.

IC 5-28-21-16**Deferral of principal and interest**

Sec. 16. The corporation may defer payment of interest and principal on a loan under this chapter for not more than two (2) years.

As added by P.L.4-2005, SEC.34.

IC 5-28-21-17**Loan interest rate; determination**

Sec. 17. In order to establish a rate of interest for a loan under this chapter, the corporation shall select a nationally recognized index of municipal bond averages and a date not less than one (1) month nor more than two (2) months before the granting of the loan. The rate of interest on the loan must be one percent (1%) less than the average published on the date closest to the selected date by the selected nationally recognized index, rounded to the next lowest whole percent. The corporation may determine that the rounding down should be to a fraction of a percent that is a multiple of either one-tenth of one percent (0.1%) or one-fourth of one percent (0.25%).

As added by P.L.4-2005, SEC.34.

IC 5-28-21-18**Loan or loan guarantee time limits**

Sec. 18. A loan or loan guarantee under this chapter may not exceed the lesser of:

- (1) ten (10) years; or
- (2) the useful life of the property for which the loan is granted or guaranteed, as determined by the United States Department of the Treasury.

As added by P.L.4-2005, SEC.34.

IC 5-28-21-19**Duties of sponsors or assistance recipients**

Sec. 19. A sponsor or an organization receiving assistance through a sponsor has the following duties in establishing and operating a small business incubator with assistance under this chapter:

- (1) Securing title to the facility or leasing the facility with the intent to secure title.
- (2) Managing the physical development of the incubator facility, including the provision of common conference or meeting space.

- (3) Furnishing and equipping the facility to provide business services to the tenants.
- (4) Marketing the facility and securing eligible tenants.
- (5) Providing or arranging for the provision of financial consulting, assistance in accessing private financial markets, and marketing and management assistance services for the tenants.
- (6) Establishing rental and service fees.
- (7) Encouraging the sharing of ideas among tenants and aiding the tenants in an innovative manner while they are within the incubator.
- (8) Establishing policies for the:
 - (A) acceptance of tenants into the incubator; and
 - (B) termination of occupancy by tenants.
- (9) Encouraging the establishment of small business incubators in economically disadvantaged areas. However, if the small business incubator secures only a loan or loan guarantee under this chapter, this subdivision does not limit the establishment of the small business incubator to economically disadvantaged areas.
- (10) Establishing a local advisory committee to assist in the performance of the duties listed in this section. Advisory committee members must represent fields that can contribute to the sound operation of the incubator, such as accounting, finance, law, education, and small business. Advisory committee members may not vote on projects of sponsors or tenants with whom the member is financially affiliated.

As added by P.L.4-2005, SEC.34.

IC 5-28-21-20

Duties of corporation

Sec. 20. The corporation has the following duties under this chapter:

- (1) Making grants, loans, and loan guarantees to sponsors for small business incubators.
- (2) Ensuring that sponsors receiving grants, loans, or loan guarantees meet the conditions of this chapter.
- (3) Receiving and evaluating annual reports from sponsors. These reports must include a financial statement for the incubator, evidence that all the tenants in the incubator are eligible under the terms of this chapter, a list of tenants in the incubator, and any other information required by the corporation.
- (4) Establishing policies to implement this chapter. These policies must include provisions permitting greater flexibility with respect to the establishment and operation of incubators in the areas described in section 19(9) of this chapter, including more flexible tenant policies.

As added by P.L.4-2005, SEC.34.

IC 5-28-21-21**Annual report**

Sec. 21. Before July 2 each year, the corporation shall provide the legislative council and the governor with a report that includes the following information:

- (1) The number of applications for incubators received by the corporation.
- (2) The number of applications for incubators approved by the corporation.
- (3) The number of incubators created under this chapter.
- (4) The number of tenants occupying each incubator.
- (5) The occupancy rate of each incubator.
- (6) The number of jobs provided by each incubator and the tenants of each incubator.
- (7) The number of firms still operating in Indiana after leaving incubators and the number of jobs provided by those firms. The corporation shall attempt to identify the reasons firms that were established in an incubator have moved to another state.

The report to the legislative council must be in an electronic format under IC 5-14-6.

As added by P.L.4-2005, SEC.34.

IC 5-28-21-22**Advisory committees**

Sec. 22. The corporation may establish one (1) or more advisory committees to assist the corporation in implementing this chapter. Advisory committee members may not be affiliated financially with a sponsor or tenant and must represent fields that can contribute to the sound operation of the incubator program (such as accounting, finance, law, education, and small business).

As added by P.L.4-2005, SEC.34.